QUOTED COMPANIES ALLIANCE

ESG Survey Report

The experience of small and mid-sized quoted companies

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The Quoted Companies Alliance brings small and mid-sized quoted companies together to build one voice to help create an environment where these businesses can grow and deliver sustainable long-term benefits for investors and wider society. It is a company limited by guarantee registered in England under number 4025281.

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Executive Summary

This report examines the results of a recent Environmental, Social and Governance (ESG) survey undertaken by the QCA, examining the experiences of small and mid-sized quoted companies in the ESG space.

The first part of the report provides an overview of the general attitudes towards, and knowledge of, ESG for small and mid-caps. The second part then looks at how companies have approached ESG strategies and policies, the benefits and the costs that this implies, followed by a section on the disclosure-making process and one on the use of external service providers. The fifth section of the report looks at whether ESG considerations have had a positive or negative impact on small and mid-caps. The final section will look at the possible steps the QCA can take to help its members on their ESG journey.

The survey consisted of 17 questions relating to attitudes and strategies, data collection and reporting, the use of external service providers and the impact that ESG has had. The purpose of the survey was to establish a more comprehensive view of what QCA members' perspectives on ESG are and the possible role the QCA can play in assisting members with their ESG-related disclosures and initiatives.

This research consisted of 6 in-depth interviews with directors of QCA member companies between 7th and 31st of March 2022 and an online survey of QCA member businesses between 28th April and 21st March 2022. The survey received a response from 57 companies. From the survey, we found that the average respondent has a very positive attitude towards ESG, is moderately informed on ESG, has a clear and formal ESG policy/strategy, and ESG adoption and practices are developing.

Introduction

Environmental, Social and Governance (ESG) is growing exponentially in importance due to a greater societal interest in its topics. Even though ESG is a relatively new reality, it is here to stay, and it will keep evolving and expanding. Companies can no longer address ESG in a superficial way as there is a growing desire amongst the investment community, society and regulators to strengthen their practices. However, it is not all doom and gloom, and small and mid-sized companies should not view ESG as a burden, but rather as an opportunity.

This report shows how companies are tackling emerging ESG challenges. The research intends to demonstrate how adoption and practice has developed since the release of our report in 2020, "Perceptions, Myths and Realities", produced in conjunction with Henley Business School and Downing LLP, and shows how companies have developed their understanding of the issues.

We believe a refreshed view is very much needed as the last two years have seen unprecedented change and uncertainty that now requires a different emphasis on the issues of environmental impact, social responsibility and corporate governance. In this light, the report also highlights that there is a desire amongst our membership for further levels of support and guidance.

From an environmental perspective, the focus has been on counterbalancing the effects of climate change, focusing on energy and water consumption, waste generation and CO2 production. Certain companies now have to comply with numerous regulations and requirements to ensure that they are taking into account their environmental impact.

Examples of such regulations include the Streamline Energy and Carbon Reporting (SECR) which requires quoted companies to report on their emissions in the form of Scope 1 (direct Green House Gas (GHG) emissions), Scope 2 (indirect emissions from the generation of purchased energy) and Scope 3 (indirect emissions that occur in the value chain).

Furthermore, the Taskforce on Climate-related Financial Disclosures (TCFD) is a framework used by companies to disclose on climate-related risks and opportunities. It is made up of four pillars – governance, strategy, risk management, and metrics and targets – and is applied on a comply-or-explain basis by listed companies on the Main Market and AIM companies with more than 500 employees.

The social pillar of ESG includes a handful of different elements that companies need to take into consideration. This can be looked at internally through the workforce and employees, including number of employees, diversity, employee turnover rate, pay equity, employee wellbeing, or externally in terms of product/service liability and responsibility and community impact and engagement. Even though there is not a single set of requirements to follow as regards the social pillar, companies need to consider this pillar carefully.

Looking back at 2020, on the surface, there does not seem to be a huge shift in terms of the knowledge and understanding of ESG. Similarly, there has not been an increase in the number of companies implementing an ESG policy and strategy, however, anecdotally the quality of these statements has improved, at the behest of investors and with the view of benchmarking against more advanced peers.

When it comes to making disclosures, companies feel as though the Governance pillar is the easiest to address. There is no outright consensus about which of the Environmental or Social pillars are more difficult to report on. This shows how differently companies view the wider challenge and their own capability in terms of gathering data and measuring their impact.

The QCA's role is seen as primarily providing guidance and reflecting good practice. As the issues and challenges that ESG present both broaden and crystalise, the idea that companies can simply chart their own path, relying only on an internal, subjective assessment becomes less and less viable.

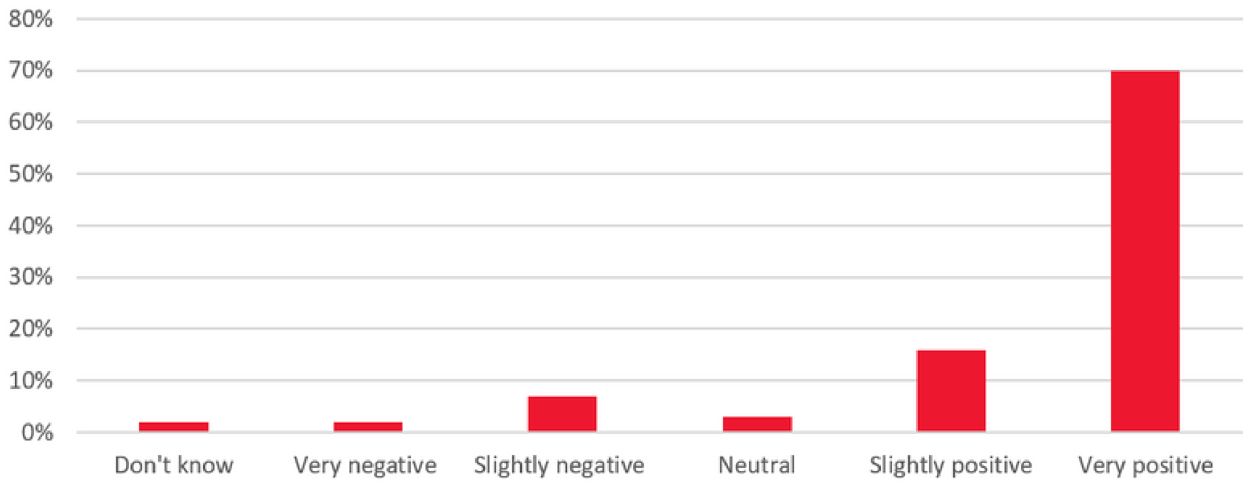
Key Findings

The key findings from the survey include:

- 7 in 10 respondents have a very positive attitude towards ESG and 6 in 10 consider themselves and their company to be moderately informed in terms of ESG
- Just under two-thirds of respondents indicated that they have a clear and formal ESG strategy and/or policy and just over two-thirds would describe their company's ESG adoption and practices as "somewhat developed"
- 77% think that governance is the easiest pillar of ESG to address and make disclosures on, and over half of respondents think that environment is the hardest ESG pillar to address and make disclosures on
- 60% are following an environmental framework and 75% are measuring their carbon footprint
- Nearly 9 in 10 respondents are addressing the social aspect of ESG and 60% are collecting data and using guides/tools/research to help inform the social pillar
- 58% use external service providers and the services they use include consultancy, data collection, reporting, and audit/assurance
- 47% consider ESG considerations had a "somewhat positive" impact on their overall business
- 8 in 10 respondents believe that the QCA could develop good practice examples and guidance in the future to assist members in addressing ESG-related matters, followed by 60% indicating they would welcome ESG training and workshops and 58% requiring additional guidance following up from the QCA Practical Guide to ESG and specific guidance on the social element of ESG

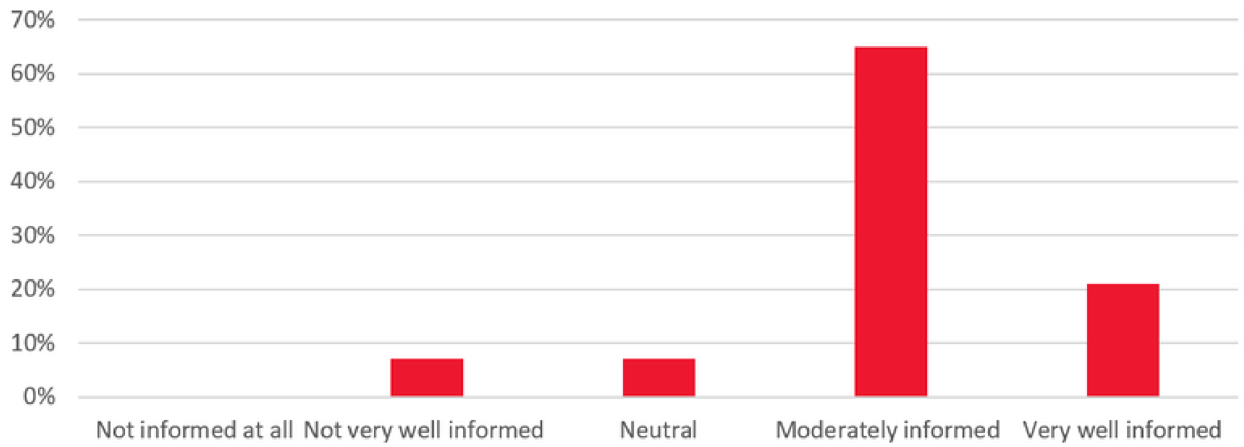
QCA members ESG experience

What is your attitude towards ESG?



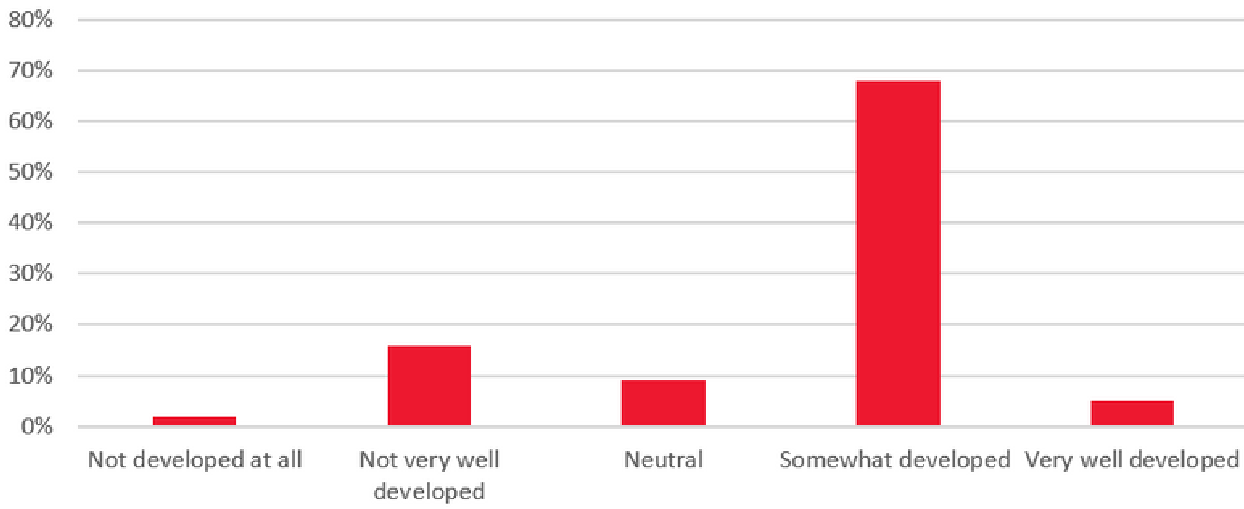
Overall, companies have been responding well to ESG, with 70% of respondents indicating that they have a very positive attitude towards ESG and only 2% of respondents having a very negative attitude towards the subject. While this may not necessarily imply that including ESG in their strategy has been easy, it shows that members have been showing increased interest and understanding in terms of the importance of ESG. QCA members are adapting to the new ESG environment, recognising and embracing the potential benefits that ESG could have on their business. ESG is growing incrementally in importance due to investors in particular placing ESG as one of their top priorities when making investment decisions, but is also due to other factors. This is an opportunity for companies to work towards becoming more sustainable businesses, taking advantage of the economic benefits that arise, and producing a positive impact for wider society and the environment.

How would you describe your company's knowledge base in terms of ESG?



In terms of ESG knowledge, 65% of respondents consider themselves and their companies to be moderately informed on the subject, with 21% of respondents being very well informed and only 7% of respondents being not very well informed. There were no respondents that considered themselves to be not informed at all. Again, demonstrating how ESG is growing in relevance with all 57 respondents having at least a minimum knowledge base on the topic. Companies, independently of their sectors and market capitalisation, are now informing themselves on ESG, whether they support this move towards a more sustainable economy or not.

How well developed would you describe your company's ESG adoption and practice?



In terms of ESG adoption and practice, many respondents highlighted that they are currently working towards adopting ESG practices. Nearly 7 in 10 respondents are currently developing their ESG strategy, adopting frameworks and introducing initiatives, while another 5% of respondents considers their ESG adoption and practice to be very well developed, with only 2% of respondents indicating that their ESG adoption and practice has not been developed at all. The overall picture shows that only a handful of companies are at an advanced stage in their ESG journey and that most companies are instead in the process of adapting to this new ESG environment.

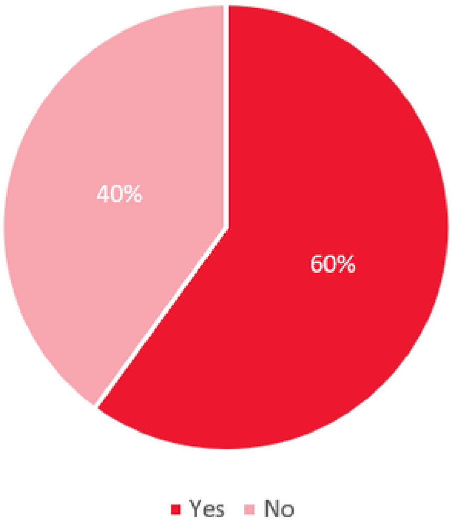
Companies are increasingly informed but have a greater vision of what they do not know.

This increases the need for smaller quoted companies to access more targeted guidance.

Reflecting on the previous report does raise some concerns in this area, however. When surveyed in the summer of 2020 a slightly higher proportion of QCA members felt they were knowledgeable about ESG (23% said they were very knowledgeable, compared to this years' 21% and 69% saw themselves as moderately knowledgeable which is also down by 2% to 67% this year). This potentially indicates that, due to the ESG landscape's continual development and expansion, companies are less confident in where they stand. It is notable that some companies are feeling overwhelmed by all the new information and expectations.

Policy and strategy

Do you have a clear and formal ESG policy and strategy?



Having a clear ESG policy and strategy has now become an essential element for many companies. Sixty per cent of respondents have a clear and formal ESG strategy. However, most of the companies that do not currently have an ESG policy and strategy are in the process of gathering information in order to develop one in the near future. Respondents have also stressed the lack of internal resources and time available to produce a separate policy and strategy, with one respondent in particular claiming that "ESG encompasses everything that [they] do" and it is therefore impossible for them to separate their ESG strategy from their overall strategy. Companies are also becoming more and more aware of the pressure that investors are placing on them to address ESG-related matters and follow certain requirements/rules, even when they are not mandatorily required to apply them due to the size and nature of the company. Most respondents expressed a desire to develop and work towards an overarching policy/strategy that encompasses all three ESG pillars.

Due to the broad nature of the ESG subject, the approach adopted by companies is relatively fragmented; as such, some companies might have a well-developed environmental and governance policies, but their social policy might not be as well developed, and vice versa. Most of the 60% of respondents with an ESG strategy and policy have developed an ESG roadmap comprising defined ESG strategies and goals or have recently produced an ESG report containing information related to their ESG disclosures and initiatives. Companies have also introduced ESG committees and/or appointed sustainability managers entrusted with developing and implementing a sustainability strategy, which includes setting targets and overseeing how the company meets various ESG criteria. While most respondents believe ESG to be fully incorporated into their overall strategy, other respondents struggle to combine policies on social responsibility and environmental responsibility into a single ESG policy.

Making Disclosures

Heightened investor focus on companies' ESG journeys has increased the pressure on companies to address their ESG-related commitments and actions in the form of making disclosures. A large percentage of respondents are small to mid-sized companies below the size threshold where disclosures are required, such as TCFD disclosures which capture many of the UK's largest public companies. While some smaller companies have initiated the discussion on the need to voluntarily address and make ESG disclosures, most of them do not have the internal resources to measure and disclose their ESG performance.

The disclosure-making process, and the story companies should tell, is subjective, unique to their own individual circumstances and depends, amongst other things, on a company's sector and market capitalisation. While some companies believe that the "environmental side is more developed externally", thereby making it easier for companies to know how to comply (voluntarily or mandatorily) with specific frameworks and make disclosures, others believe the environmental pillar to be too bureaucratic and a "tick box" process. Some respondents stated that reporting on the environmental pillar through the use of data is easier to address and make disclosures on because it is using objective information. Others, however, say it is too binding and restrictive, hindering their ability to "tell their story". Some think that reporting on the social pillar is broader and therefore easier to decide what to disclose on, while others consider it is too subjective and abstract.

Previous research has shown that companies in the construction and materials, energy and utilities, consumer products and services, and media sectors are the ones that exhibit greater levels of commitment to environmental reporting. The sectors in which companies are less active in terms of ESG disclosures include the insurance, healthcare and financial services sectors. Furthermore, companies with a larger market capitalisation are more likely to comply with different reporting standards as they have more resources to dedicate to ESG-related matters and seek external assistance to help them with compliance.

Each company should develop their practices and disclosures in a way that best tells their story, explaining the environmental and social issues central to them and articulating their impact and how they generate risks and opportunities. What is evident is that the ESG-related metrics, targets and disclosures one company follows are different to those another follows. ESG metrics are relative to the size and industry of the company, however, metrics should be measurable, material and in line with the company's strategy. With this in mind, it is important that companies consider their competitive advantage in ESG and then prioritise this.

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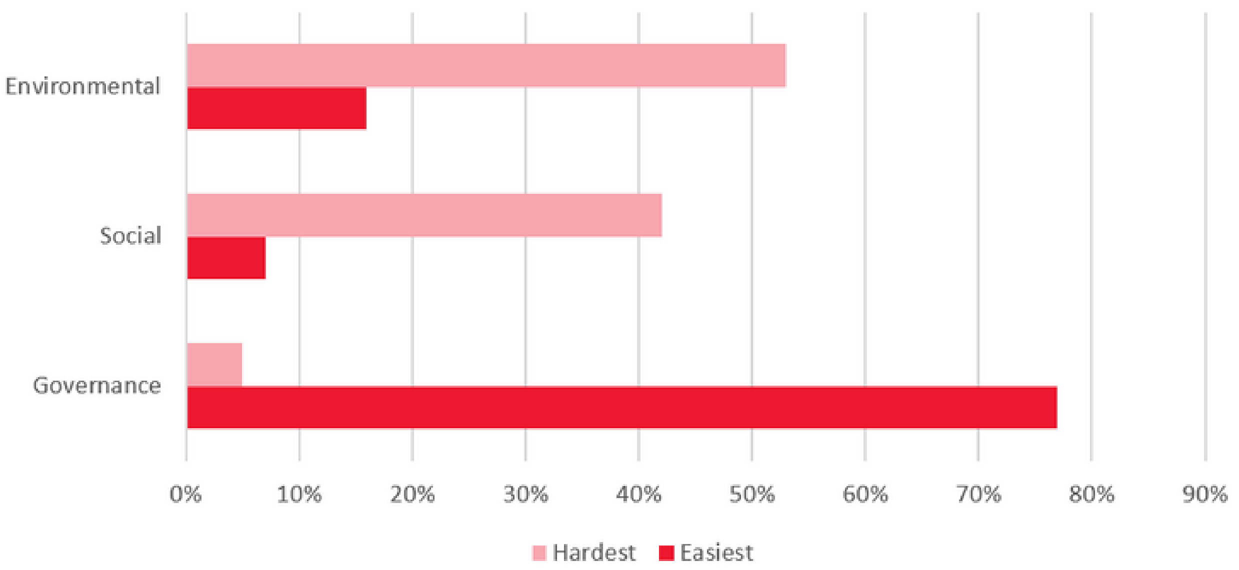
The pre-existing risk management framework should build bridges to the new areas addressed in the ESG agenda. Small and mid-caps in particular should use ESG to their own strategic advantage, building on their own story by quantifying their impact and initiatives, explaining how and why their products and services are having a positive social and/or environmental impact. Companies have reported that:

With environmental and social disclosures, the expectations are continuously shifting and expanding, with little consensus across different markets, so there is less clarity around what disclosures are needed and how best to comply

The E and the S areas have many/varied approaches and methodologies and interpretations making it trickier to compare like for like

Governance already has clear frameworks and expectations against which disclosures can be made. For E and S disclosures, which by their nature will vary more from business to business, it can be difficult to know where to begin

Which ESG area is the easiest to address and which is the hardest?



There is broad consensus, with over three-quarters of respondents stating that the governance pillar of ESG is the easiest to address and make disclosures on. The social side of ESG is more subjective and the factors and data involved are less tangible, and disclosures are considered more superficial than in the other two areas. Only 7% of respondents believe that the social area is the easiest to address, while 42% believe it is the hardest area to make disclosures on. Some respondents suggested that it is difficult to articulate progress and enact change in the social area, for instance, because "the impact of any company on long-term social issues is inextricably linked with factors beyond [their] control and it is impossible to state with confidence what the long-term impact of any particular policy is likely to be."

The social pillar of ESG is inherently hard to measure, disclosures are relatively inward looking and lack a holistic assessment compared to environmental disclosures where it is both inwards and outwards, with clear guides to follow. As one respondent explained:

> Environmental disclosures require concrete data that is not open to interpretation and while it can be a challenge to introduce carbon tracking and reporting for the first time, there are automated processes that can make reporting smoother. With social reporting, the material factors will differ by company and what is deemed important is more subjective. It is harder to report on a concept like inclusion than to report on the percentage of renewable energy used in offices, for example.

Only 16% of respondents consider the environmental pillar to be easiest to address, while 53% believe it is the hardest to make disclosures on. This could be deemed surprising as a significant amount of guidance has been produced recently to aid the disclosure-making process. However, the myriad of guides, frameworks, taxonomies, rules, and reports that exist can make it extremely difficult to interpret each of these and decide what is best to follow.

There are also differences in opinion on the usefulness of environmental frameworks as whilst some respondents believe that frameworks such as SECR and TCFD are straightforward, others believe that they are of limited value and an overall burden to small companies. While some members believe that there is a high degree of support and resource available for carrying out environmental reporting, other members consider the environmental pillar to be less structured as data is difficult to collect. The environmental pillar might be the easiest to address for larger companies with extensive resources dedicated to data collection and reporting, while it might be the hardest for smaller companies with a limited environmental footprint to dedicate a significant proportion of their time and resources to the area.

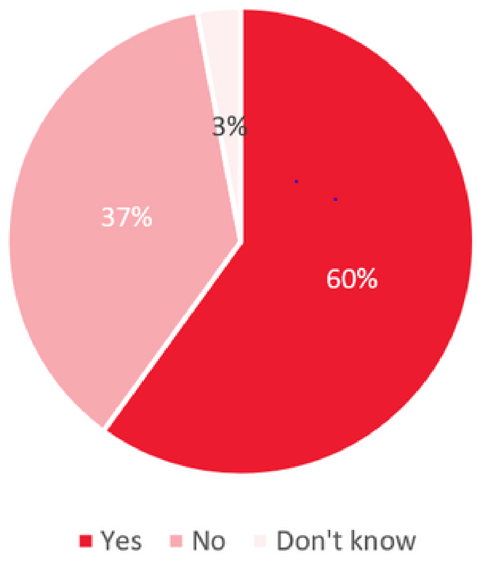
It is also important to keep in mind that expectations differ between companies depending on the sectors to which they belong. For example, companies working within the renewable energy sector might find themselves experiencing more pressure from investors and consumers to extensively address the E of ESG, especially in terms of setting targets in relation to GHG emissions and they consequently require more internal resources to aid data collection.

ESG expectations differ between companies depending on the sectors to which they belong.

Companies with a larger market capitalisation also face increasing pressures from investors and consumers, however, most of them have the capacity to use external sources to help them with the planning and implementation of ESG policies, relieving them of some of the burden that comes with targeting the environmental pillar of ESG.

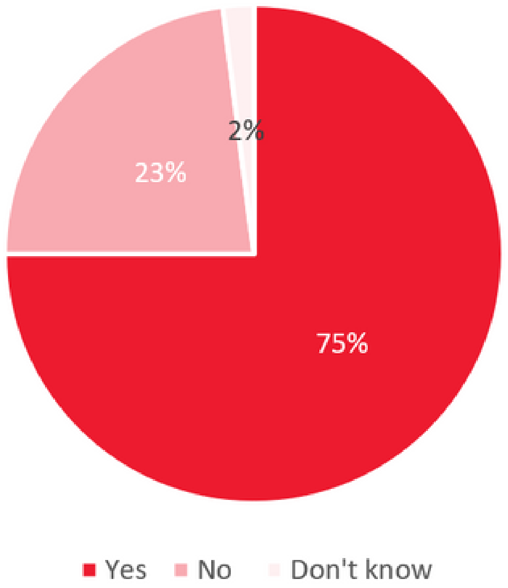
In terms of the social pillar, companies with a larger market capitalisation might struggle with defining and synchronising social metrics throughout the various groups of their organisation, while companies with a smaller market capitalisation, independently of their sector, may struggle with quantifying and regulating social measures, especially in relation to frameworks and metrics.

Are you following an environmental framework either mandatorily or voluntarily?



Sixty per cent of respondents are either mandatorily or voluntarily following an environmental framework, including SECR, TCFD, SASB and GRI standards. Most of the 37% of respondents who do not follow an environmental framework believe that, due to their size, they have limited impact on the environment and therefore reporting would be an extra burden on their operations.

Is your company measuring carbon emissions?

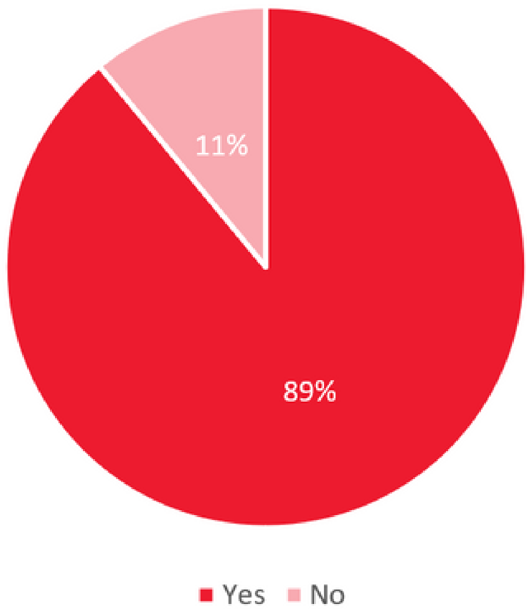


Seventy-five per cent of respondents are currently measuring carbon emissions, as well as collecting data on waste, energy, water consumption, single-use plastics, and recycling.

While addressing Scope 1 and 2 GHG emissions is quite straightforward, once Scope 3 is considered, GHG emission reporting becomes a complex, costly and non-standardised task, especially for smaller companies. This is because Scope 3 emissions data collection and calculations are extremely difficult to measure and control.

Companies are working on improving their environmental reporting by introducing initiatives such as producing a life cycle assessment-based method to cover the companies' emissions, which they will then build on to increase reporting for all the associated pollutants.

Does your company address the social pillar of ESG?



A large majority (89%) of respondents address the social pillar through focussing on issues such as equality, diversity and inclusion initiatives, especially Gender Pay Gap reporting. Several companies have introduced D&I working groups and committees to oversee the implementation of such initiatives.

Companies also target the social aspect of ESG through community engagement initiatives such as offering young people apprenticeships and training, encouraging volunteering within the community, and working with charities. The internal culture of a company is also high on the list of priorities due to a general desire to be an inclusive workplace.

Most respondents stressed the need to develop a strong culture with proactive employee-related policies focusing on employee benefits and mental health. Smaller companies in particular believe it is extremely important to look after employees to improve recruitment prospects and retention as well as the well-being of the workforce.

We also observed an opposing stance adopted by some companies, some of which were included in the 11% of respondents who do not address the social pillar, and claimed that "the focus is on having the best people and not ticking diversity boxes." As one respondent explained:

> We do not have any formalised approach to addressing diversity within our recruitment process – our approach is to recruit the best people available for each role regardless of their social background

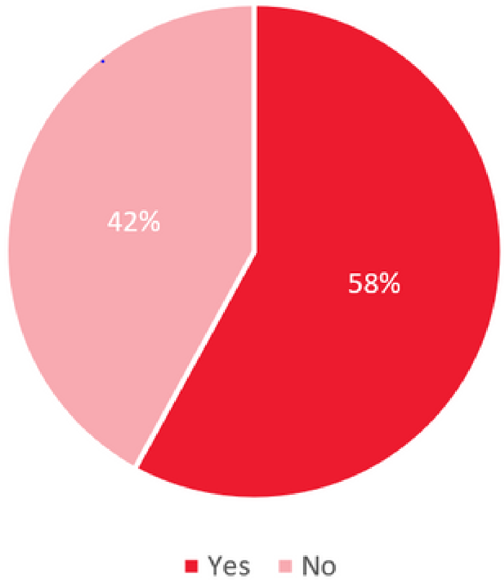
Respondents have also explained how working with charities has contributed to improving their approach to the social pillar of ESG, such as giving 1% of EBITDA to charities, creating a charity partnership or having a small fundraiser for a chosen charity each year. One company said:

> Externally, our core social mission is to make people's opinion heard for the benefit of the wider community, which we do both through providing access to our public data and by partnering with organisations that are socially oriented

External Service Providers

External service providers are being used by companies to provide advice on ESG, assist with data collection, set strategies, prepare reports, and recommend ways in which they can improve their ESG performance overall.

Are you currently working with an external service provider?

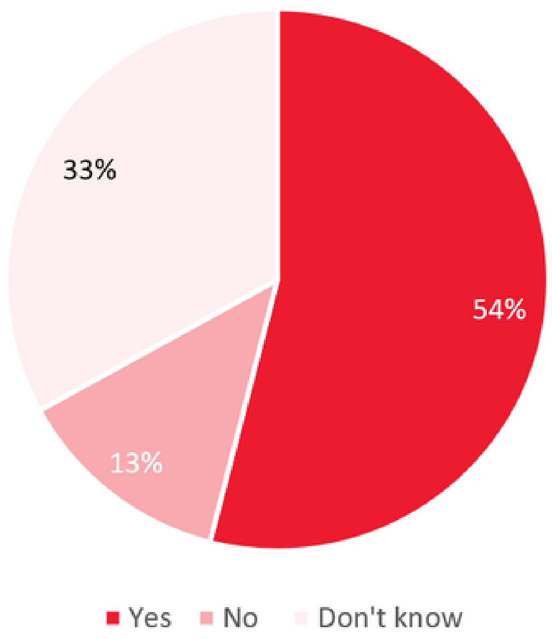


Of the respondents, 58% claim to be using external service providers to assist them in their ESG journey; half of which use external service providers for their environmental disclosures, such as to review their carbon footprint. The primary reason why companies decide to work with external providers is the lack of internal ESG specialists within the business, and to help ensure that the data collected is accurately compiled and presented.

Furthermore, the use of external assistance, in addition to giving companies the required guidance, has helped to improve credibility, providing businesses with a recognised reporting platform which has a proven track record. While some companies have worked with external providers to ensure that they are advised by experts in general, others have used external providers to meet specific needs, for example one respondent claimed that "[they] use an external consultant for [their] SECR reporting, [they] use an external supplier management platform and [they] have worked with diversity consultants to develop [their] D&I roadmap."

Companies working with external service providers have seen how such partnerships have taken some weight off their shoulders and made tasks such as SECR reporting easier.

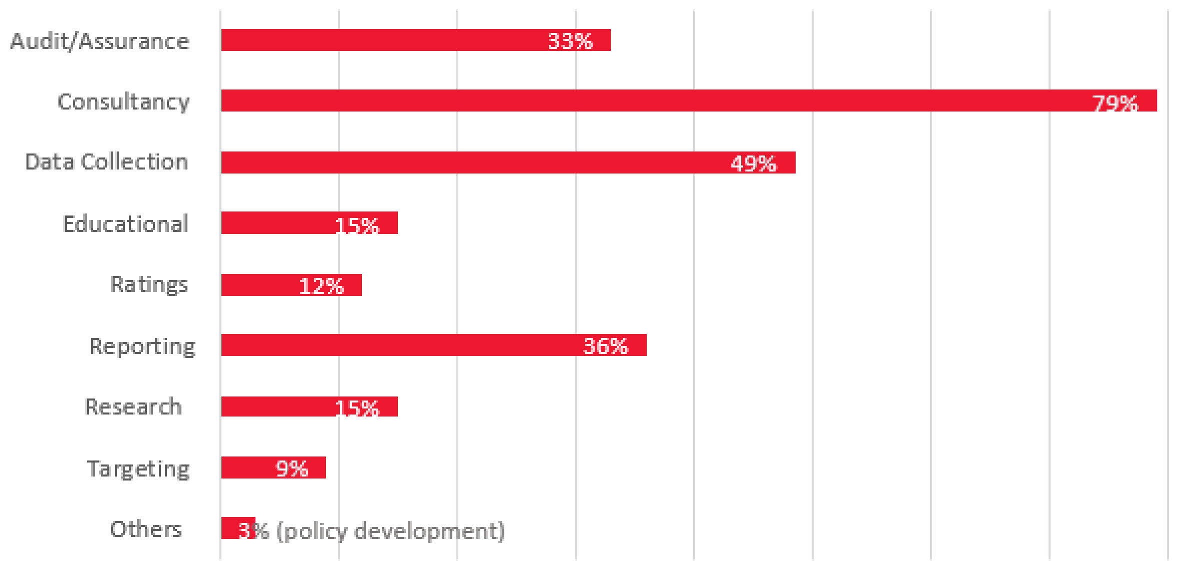
Would you be open to using external service providers in the future?



Of the respondents who are not currently working with service providers, 54% stated that they might do so in the future in order to extend the scope of environmental and social data collection and calculation, while only 13% stated that they have no intention of working with service providers in the future.

The reason why 42% of respondents have not been working with external providers but the majority of them would want to do so could be due to the fact that most of them are not sure where to start and who can best suit their needs. Another reason why companies decide not to opt for working with an external service provider is due to the costs that such commitment entails.

What kind of services do you use?



Of the respondents who are currently working with external service providers, the majority (79%) use them for consultancy solutions. This is followed by data collection services (49%), reporting services (36%) and audit and assurance services (33%).

Companies want experienced and independent input on designing an approach that could potentially put them in an industry-leading position without pushing themselves too far by exhausting their internal resources.

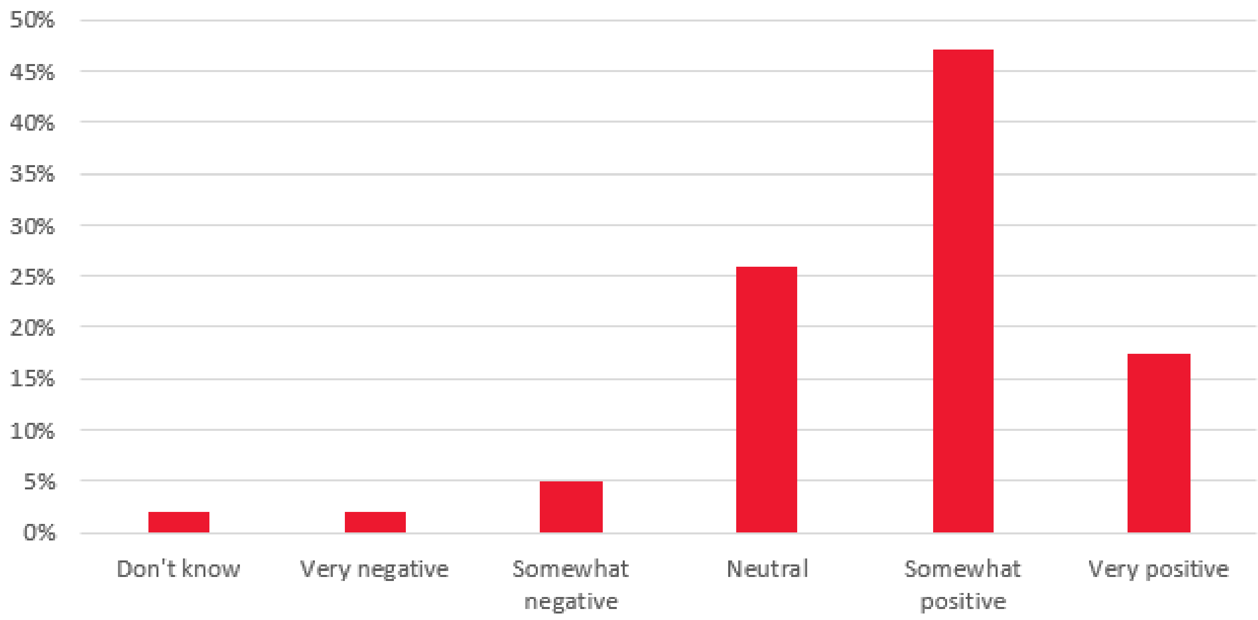
In terms of data collection and reporting, companies seek external providers to assist them with complex technical calculations of carbon emissions, for example service providers who provide support in the calculations of Scope 3 GHG emissions are often used where companies encounter difficulties in terms of calculation or require a level of expertise that is unavailable within the organisation.

Most companies are also highly satisfied with the services they receive; 78% of respondents who work with service providers consider their services to be essential and 72% would recommend their service provider to other companies. One respondent explained:

> Working with a service provider has enabled the collection of information for multiple reports and schedules, as well as facilitating alignment to the UN SDGs due to the ability to set targets and track them with options to displace publicly

Impact of ESG on the business

What impact would you say ESG considerations and activities have had on your overall business?



For many companies, it is too soon to assess the long-term impact that ESG considerations have had on their business as a significant proportion are still focused on planning and capturing data and other information. Twenty-six per cent of respondents are still unsure on whether ESG considerations have been beneficial for their overall business. While ESG practices are considered by many to be a positive step towards a more sustainable future, the immediate impacts experienced are in relation to the costs and administrative burden that ESG considerations involve.

Those who adopt a positive stance on ESG and understand the possible benefit that ESG consideration might bring to their business, acknowledge how ESG considerations have provided a framework for strategy, focus and decision-making around the three ESG pillars that were not previously formalised. 65% of respondents either consider ESG considerations to have had a somewhat positive or very positive impact on their overall business, improving employee satisfaction, shareholder reassurance and reducing their carbon footprint.

ESG considerations have been beneficial internally as well as externally for the companies. In terms of internal reach, ESG has improved employee satisfaction and motivation substantially. Most companies work with the communities in which they are based and have redirected their focus on charity work as well. Externally, companies who have adopted ESG practices have experienced positive feedback from investors in the form of new investment opportunities and increased workplace attractiveness.

ESG has therefore been helping companies shape their marketing by having clearer purposes and goals through engaging the workforce, improving diversity, and working on leadership.

The adoption of ESG practices has also led to companies creating mechanisms for measuring and tracking performance through a gradualist, long-term approach which has allowed them to set a clear ESG strategy and raise awareness both internally and externally.

Respondents have also pointed out how ESG considerations have led to cost savings, satisfying customer expectations, increased transparency for investors, and enhancing their credibility and reputation overall. ESG considerations have also been extremely helpful in order to justify their social mandate and secure investment interest, especially for companies working in the oil and gas industry who have been facing a backlash for their activities and environmental impact.

Typical comments from respondents on the positive impact that ESG has had on their overall business include:

ESG considerations are an important factor in encouraging companies to act in a responsible manner, conducive to long-term value creation. Our business has benefited from taking a long-term gradualist approach

It has helped us shape our marketing and be clearer about our purpose, as well as providing a backdrop to our ongoing work in improving genuine diversity and thought leadership

Our ESG considerations have encouraged us to prepare for growing reporting mandates and demonstrate our responsibility and sustainability to clients, employees and consumers

Those who regard ESG consideration as having had a negative impact on their business stress the overly bureaucratic and formal approach that ESG adoption and disclosure often requires which can end up being burdensome and of limited value. Seven per cent of respondents claim that ESG considerations have had a negative impact on their business as it has taken management time away from running the business. Others have also claimed that the environmental and social systems and frameworks introduced have provided guidelines which were in place before ESG, and therefore have only contributed to increasing their administrative and reporting burden.

Typical comments from respondents on the negative impact that ESG has had on their overall business include:

The immediate impact is neutral as the cost and admin burden is quite high, however, the mid-term will see benefits and will provide competitive advantage

ESG is just a label and can be a reporting tick box. To attract and retain young talent, it needs to be a real purpose of the business and lived through its mission and values

Has not significant changed activity but has significantly increased administrative and reporting burden

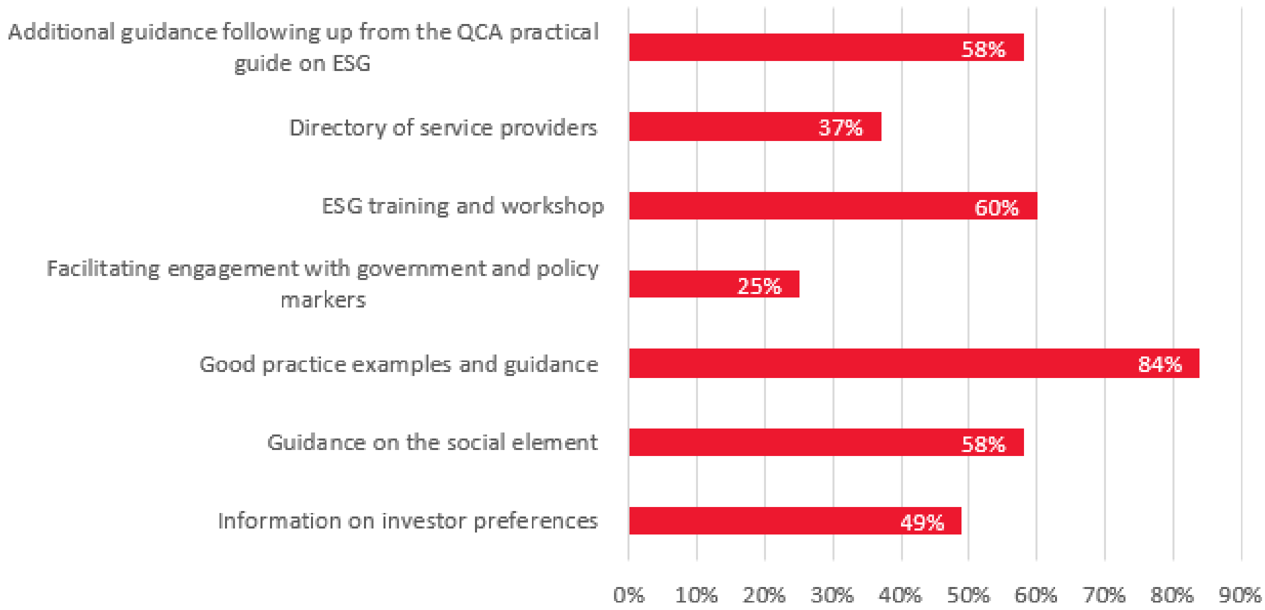
They have taken management time away from running the business and distracted the board consistently

From these comments it is clear that there is certainly a burden of onboarding new ESG workstreams and the initial adoption costs may outweigh any benefits – if there are any immediate ones. However, it is clear that future benefits come down the line from companies operating more efficiently and being more attractive to investors as well as potential staff and suppliers and avoiding falling foul of penalties from regulators.

The role of the QCA

The last question of the survey asked respondents to suggest how the QCA can help them and their companies in their ESG journey.

Which, if any, would you like the QCA to develop in the future to assist you in addressing your company's ESG-related matters?



Eighty-four per cent of respondents have stressed the need for additional help in the ESG space in the form of good practice guidance. This highlights that further guidance on how companies should proceed with their ESG disclosures and initiatives is needed. Companies are struggling to find possible examples of how other companies in the same sector and with similar market capitalisations are currently dealing with ESG requirements. Over a half of respondents have also indicated the need for ESG training and workshops, additional guidance on ESG following the QCA Practical Guide to ESG, and guidance specifically on the social element of ESG.

Throughout the survey, respondents have stressed the lack of clarity in relation to the social pillar due to its broad scope and how it varies from business to business and therefore it can be difficult to know where to begin. While some companies decide to focus more on the internal initiatives they can invest in, such as strong D&I initiatives, others decide to dedicate most of their resources externally, offering young people apprenticeships and training.

Half of the respondents have also expressed a desire to receive information on investor preference as meeting investors' expectations is an important goal for most companies, and respondents have highlighted how investors are increasingly demanding a clear ESG strategy and those who do already have a clear strategy have explained how investors are responding well to their ESG performance.

Over a half of the companies who are not working with service providers have suggested that they would be open to do so in the future, and 37% of respondents have expressed a desire for a directory of service providers to be developed by the QCA to help them with their ESG disclosures.

The directory would potentially provide a list of advisors and consultants tried and tested by other members in order to help companies find service providers suited for their business, size and overall goals without them having to search for such entities by themselves.

As highlighted in the 2020 report, most respondents still see the QCA's most important role as providing guidance. In fact, this has risen slightly from 80% to 84%. One significant shift has been in the role the QCA can play in training. Two years ago, a significant minority (40%) saw the QCA as having a role in providing ESG specific training. In 2022's survey that number became a majority with 60% of companies saying that they would like the QCA to provide or facilitate ESG training and workshops. This perhaps indicates the way in which companies have absorbed the ESG challenge and have realised training would be necessary to properly tackle the emerging issues.

Given the feedback from members, the QCA will be expanding the materials and activities it provides its members in relation to ESG.

As highlighted in the 2020 report, most respondents still see the QCA's most important role as providing guidance.

Conclusion

ESG is now gaining more and more momentum. What this survey has shown is that ESG is now on every company's agenda due to pressures from investors and customers who are now, more than ever, interested in investing and buying products and services that have a positive impact on the environment. The emergent picture is that companies are either already addressing ESG or are planning on doing so imminently. Whilst it is true that there is more ESG awareness among entities, it is also true that guidance on regulations and requirements is still lacking and companies, especially small and mid-cap organisations, need more support and clarity in terms of ESG.

Whilst companies might be at different stages of their ESG adoption, all of them are currently making some ESG disclosures and the majority claim to have clear and formal ESG policy, reiterating the fact that companies are recognising and acknowledging that ESG is now the reality they face and that they must fully embed ESG in their strategy, in order to use it to their competitive advantage to attract like-minded investors and customers. The overall impact on the business reported by respondents is a positive one which means that those companies that have adopted ESG practices are seeing the benefits, especially in the medium to long term. Respondents who believed that ESG has had a positive impact on their business point to the saving costs, higher degrees of transparency and the positive feedback they receive from investors and other stakeholders; in contrast, those who do not yet see the benefits of ESG, point out to the workload that the overly bureaucratic nature of ESG has created.

While it is true that ESG disclosures and initiatives require significant input and resources, organisations will experience the competitive advantage of ESG once they embed it throughout the organisation embracing the workload as well as the positive environmental and social impact that their policies bring to the company.

In conclusion, what this survey report highlights, is that QCA members are on the right path towards ESG integration. However, it must be recognised that ESG integration is not a stable and linear journey, ESG is continually evolving, and companies cannot possibly expect to achieve everything they want to achieve in the ESG space immediately. ESG integration takes time and is a journey, and for companies to fully understand and appreciate this journey they need to look at the long-term impact that ESG has on their business and consequently the impact they can have on the environment and society.

Contributors

This report has been primarily authored by Viola Rizzardi Penalosa, QCA Research Intern, with support from Jack Marshall, Policy Manager, QCA.

About the QCA

The Quoted Companies Alliance brings small and mid-sized quoted companies together to build one voice to help create an environment where these businesses can grow and deliver sustainable long-term benefits for investors and wider society.

We believe that our members have huge potential, but they need a public market environment conducive to growth to allow them to attain it. We enable this environment by influencing policy and regulation, informing our members through surveys, research and guides and creating interaction through workshops, webinars, networking events and exclusive meetings.

Our members are quoted on the Main Market, AIM and the Aquis Stock Exchange. Informed by our seven Expert Groups, we campaign to ensure that regulation is proportionate and encourages growth, whilst maintaining the necessary protections for investors.

For more information, please visit www.theqca.com.